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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001421

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SUBJECT: AIT CHAIRMAN BURGHARDT AND PREMIER CHANG
CHUN-HSIUNG DISCUSS U.S.-TAIWAN RELATIONS AND DOMESTIC
POLITICS

REF: TAIPEI 01386

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

11. (C) Summary: Taiwan Premier Chang Chun-hsiung told AIT Chairman Burghardt on June 14 that Taipei appreciates U.S. long-term support for Taiwan, including the extension of transit privileges to President Chen and Vice President Lu. Chang characterized U.S.-Taiwan relations as solid and constructive, pointing to the removal of Taipei from the TIP tier-two watch list as evidence both sides can work together on issues that matter. Chang, who previously headed the Straits Exchange Foundation (SEF), expects little substantive progress on cross-Straits issues during the remainder of President Chen's term because Beijing will be wary of helping the DPP in an election year. The presidential race between Frank Hsieh and Ma Ying-jeou will be "too close to call," he suggested. Chang believes legislative and presidential candidates will "unavoidably" raise Taiwan-identity related issues, such as referenda and constitutional reform, that could have implications for cross-Straits relations. Chairman Burghardt and Director Young stressed to Chang that the U.S. respects Taiwan democracy, but strongly urges Taiwan leaders to refrain from raising issues that risk destabilizing the cross-Straits situation out of a desire to score domestic political points. End Summary.

12. (C) Taiwan Premier Chang Chun-hsiung told AIT Chairman Burghardt on June 14 that Taipei appreciates U.S. long-term commitments and support for Taiwan, including the extension of transit privileges to President Chen Shui-bian and Vice President Annette Lu (Hsiu-lien). Chang characterized U.S.-Taiwan relations as solid and constructive, pointing to the recent removal of Taipei from the trafficking in persons (TIP) tier-two watch list as evidence both sides can work together on important issues. Chang told the Chairman he expected the annual budget, including funding for the procurement of U.S. weapons systems, to pass on June 15, the final day of the Legislative Yuan's (LY) spring session. The DPP would like to make further progress by restoring some of the cuts the LY made to the defense budget originally proposed by the Executive Yuan (EY). Chang expressed hope the parties could agree to hold a special LY session in the summer to reconsider a supplemental budget to procure PAC-III

missiles. (Note: The LY passed the government's annual budget, including defense items, but not the PAC-III, on June 15 (Reftel).)

13. (C) Chang, who headed the Straits Exchange Foundation (SEF) before becoming premier, believes there is little room for making substantive progress on cross-strait issues in the remaining year of President Chen's term. That said, Chang felt opening Chinese tourism and regularizing charter flights, two issues that have already been under negotiation for some time, may still have the potential for a "breakthrough." Nevertheless, Beijing is wary about engaging Taipei on any other substantive issues. Chang explained that in an election year China does not want to give President Chen and the DPP any concessions that could help the ruling party's electoral chances.

14. (C) Chairman Burghardt stressed to Chang that the U.S. pays close attention to Taiwan export controls. Burghardt encouraged the EY to improve its oversight of dual-use technologies, particularly precision machine tools, stressing U.S. concerns about the potential for Taiwan companies to export such technologies to Libya, North Korea, and Iran. Chang agreed that the EY can do more to improve oversight. He said efforts are underway to integrate machine tool exports into Taiwan's broader system for monitoring and controlling the export of sensitive high-tech items.

15. (C) Turning to electoral politics, Chang suggested that the presidential race between Frank Hsieh (Chang-ting) and Ma Ying-jeaou was "too close to call." Contrasting the two candidates, Chang characterized Ma as essentially a product of the KMT bureaucracy, which has groomed him for higher

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office; Hsieh is more of a grassroots politician who worked his way to the top as the DPP struggled to bring democracy to Taiwan. The different backgrounds of the candidates, Chang believes, will lead to very different campaigns and campaign styles. Over the last year Ma has squandered the advantages he enjoyed as a "clean" leader seemingly above politics, by failing, despite President Chen's legal problems, to lead the KMT to victory in the 2006 Kaohsiung mayoral race or to prevent a strong DPP showing in the Taipei election. These failures have raised doubts about Ma's leadership abilities within his own party as well as the general public. Chang expects Ma's support for "ultimate unification," which the DPP will highlight throughout the race, will undermine his prospects because close to 80 percent of the people on the island identify with Taiwan and do not want to unify with China.

16. (C) As Taiwan faces presidential and legislative elections in the coming year, Chang predicted that candidates will "unavoidably" raise Taiwan-identity related issues, such as referenda and constitutional reform, that could have implications for cross-strait relations. While some of these sensitive issues could raise concerns in the U.S., Chang stressed that Taiwan is a democracy and therefore its leaders must reflect the will of the people and cannot rein in freedom of speech. In practical terms, Chang argued that Washington should not become overly concerned as constitutional reform that touches on sovereignty-related issues has "no real chance of passing" the LY. Chang said Taiwan Representative James Wu has been instructed to explain election developments as needed to minimize any "misunderstandings" that could negatively affect U.S.-Taiwan ties. Chairman Burghardt and Director Young stressed to Chang that the U.S. respects Taiwan democracy, but nevertheless strongly urges Taiwan leaders to refrain from unnecessarily raising issues that risk destabilizing the cross-strait situation out of a desire to score domestic political points in an election year.
YOUNG